GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1653
ANSWERED ON:10.12.2004
INTEREST OF CENTRAL LOANS ON STATES
Chaliha Shri Kirip;Patil Shri Prakash V.

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Planning Commission have suggested reduction in the interest rate that the Sates pay on all outstanding central loans;

(b) if so, the details thereof;

(c) whether it is also a fact that the rate of interest on Central loan is much higher than the market rate;

(d) if so, the reasons therefor; and

(e) whether the Government have taken a final decision on the suggestion of Planning Commission?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) No, Sir.

(b) Does not arise.

(c) and (d) The rate of interest on Central loans, which is fixed keeping in view all the relevant factors, including the cost of borrowings, maturity mismatch, etc., has been reduced from 10.5 percent to 9 percent with effect from April 1, 2004 in pursuance of the Budget announcement, 2004-05.

(e) Does not arise.